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PP RUEHBZ RUEHDU RUEHJO RUEHMR RUEHRN
DE RUEHSB #0737/01 2291157

ZNR UUUUU ZZH

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FM AMEMBASSY HARARE

TO RUCNSAD/SOUTHERN AFRICAN DEVELOPMENT COMMUNITY PRIORITY

RUEHC/SECSTATE WASHDC PRIORITY 1786

INFO RUCNSAD/SOUTHERN AFRICAN DEVELOPMENT COMMUNITY

RUEHUJA/AMEMBASSY ABUJA 1676

RUEHAR/AMEMBASSY ACCRA 1548

RUEHDS/AMEMBASSY ADDIS ABABA 1680

RUEHBY/AMEMBASSY CANBERRA 0946

RUEHDK/AMEMBASSY DAKAR 1309

RUEHKM/AMEMBASSY KAMPALA 1737

RUEHNR/AMEMBASSY NAIROBI 4154

RUEHFR/AMEMBASSY PARIS 1507

RUEHRO/AMEMBASSY ROME 2170

RUEHBS/USEU BRUSSELS

RUEHGV/USMISSION GENEVA 0801

RHEHAAA/NSC WASHDC

RUCNDT/USMISSION USUN NEW YORK 1897

RHMFIASS/Joint STAFF WASHDC

RUEHC/DEPT OF LABOR WASHDC

RUEATRS/DEPT OF TREASURY WASHDC

RHEFDIA/DIA WASHDC//DHO-7//

RUCPDOC/DEPT OF COMMERCE WASHDC

RUFOADA/JAC MOLESWORTH RAF MOLESWORTH UK//DOOC/ECMO/CC/DAO/DOB/DOI//

RUEPGBA/CDR USEUCOM INTEL VAIHINGEN GE//ECJ23-CH/ECJ5M//

UNCLAS SECTION 01 OF 02 HARARE 000737

SIPDIS

SENSITIVE

SIPDIS

AF/S FOR S. HILL

NSC FOR SENIOR AFRICA DIRECTOR B. PITTMAN

STATE PASS TO USAID FOR L.DOBINS AND E.LOKEN

TREASURY FOR J. RALYE AND T.RAND

COMMERCE FOR BECKY ERKUL

ADDIS ABABA FOR USAU

ADDIS ABABA FOR ACSS

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [PGOV](#) [ZI](#)

SUBJECT: PRIVATE SECTOR PUTS INFLATION AT MID-20,000 PERCENT

REF: HARARE 0657

Summary

11. (SBU) The respected PricewaterhouseCoopers (PWC) monthly report on the cost of living put Zimbabwe's inflation rate in the mid 20,000 percent in July, down several thousand percent from its June figures. The monthly rate of increase collapsed from the triple to the single digits in July as a result of the GOZ's price crackdown. Up to half of the items in the consumer basket, however, have disappeared from the shelves, with low-income earners affected most by the ensuing disruption in supply. The rate of inflation measured by the actual prices the consumer pays for food and goods, including increasingly on the black market, is likely to keep rising.
End Summary.

12. (SBU) The respected PWC Cost of Living Analysis for the month of July put the annual rate of inflation at 26,029 percent for low-income earners, 24,473 percent for high earners, and 23,726 percent for the middle-income category, down between about 2,000 and 5,000 percent from the previous month. The main driver in the annual increase for the low-income group was a 37,900 percent rise in the cost of vegetables and fruits, which make up about 50 percent of that consumer basket, plus a 35,700 percent increase in the cost of transport.

¶3. (SBU) As a result of the GOZ's directive to peg prices at the June 18 level (reftel), the monthly rate of increase in the cost of living in July collapsed from a record high average of 209 percent across the income groups in June (roughly triple the May rate) to an average of 7 percent in July. Notably, the cost of schooling still jumped 180 percent in July for low earners and rent surged 200 percent for the same group.

¶4. (SBU) PWC reported that 26 percent of the goods in the high-income basket, 31 percent of the middle-income products and 54 percent of the low-income basket were unavailable in the formal market in July, indicating that the poor have been hit worst by the breakdown in the supply chain. Among the products missing entirely from the shelves were eggs, most meat products, the favorite local soft drink, washing soap, and washing powder.

¶5. (U) The Consumer Council of Zimbabwe (CCZ) reported annual inflation in June at 13,445 percent. It calculated that prices had risen 126.8 percent in the month of June by the time the Cabinet Taskforce intervened, with the highest monthly rates of increase in white sugar (164 percent), fresh milk (137 percent) and rice (186 percent). CCZ's July figures are not yet available. The GOZ's Central Statistical Office, the official source of the Consumer Price Index, has not issued inflation figures since April.

Comment

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¶6. (SBU) Newly announced prices represent a modest loosening of price controls, but the new prices still do not cover all costs and a profit margin, and are unlikely to re-vitalize the supply chain. Every indication is that the real rate of inflation (as reflected in actual consumer purchases, including those increasingly made on the black market) is stuck well in the 5-digits and will likely rise as long as the GOZ fails to address core economic issues.

DHANANI